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Nechako-Kitamaat
Development Fund Society

2006 – 2007
Annual Report

March 31, 2007

NKDF Annual Report

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1. Report From The Chair

The Nechako Kitamaat Development Fund Society celebrated its 8th year during the 2006-2007 fiscal by approving $600,000 for 17 projects throughout the investment area, which includes Kitamaat Village, Burns Lake, the Southside, Fraser Lake, Fort Fraser and Vanderhoof.

It has been another interesting year for the NKDF Society as many diverse and innovative projects were supported, including the library expansion in Burns Lake, high-speed Internet service for Fraser Lake and Fort Fraser, rehabilitation of the Vanderhoof Airport, the first phase of the port development in Kitamaat, the first step toward upgrading the Fraser Lake Arena, and improvements to services provided by the Southside Wellness Centre. We continue to support investments in economic development, community infrastructure/recreation facilities, research projects and community events, all of which contribute to the betterment of our communities and help strengthen the positive economic climate that exists today. At years end, there were 25 active projects, some of which were on-going from the previous year.

During the fiscal year, the Board met seven times, two of which were regular face-to-face meetings in the investment area (one in Burns Lake and one in Vanderhoof), and five of which were conference calls. I acknowledge the work and dedication of the Directors and the sacrifice they make traveling to and from meetings and visiting many of the projects. At years end, we have 8 Directors including Gloria Catherall, Ray Gerow, Colleen Nyce, Mike Robertson (Chair), Crystal Ross, Kevin Stewart, Paul Stewart, and Linda Woodruff (Secretary/Treasurer).

We are pleased to report that all operations and grants were well within the budget targets established in last year's business plan. The Nechako Kitamaat Development Fund book value stands at just over $16.8 million with a grant budget for 2007/2008 of $700,000. Since 1999, the Nechako Kitamaat Development Fund Society has approved just over $4.1 million for economic development projects throughout the service area.

And finally, it is important to recognize Manager Dan Boudreau and thank him for his hard work managing the fund and his exhaustive efforts working with communities and proponents as well as promoting the NKDF Fund.

Original Signed by:

Mike Robertson, Chair

2. Society Overview

2.1 Mandate

The Nechako-Kitamaat Development Fund (NKDF) Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The NKDF Society spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

2.2 Background of the Fund

In 1997, the Government of British Columbia and Alcan Inc. each contributed $7.5 million to create the BC-Alcan Northern Development Fund. This BC-Alcan Agreement settled the legal issues between Alcan and the BC Government that arose from cancellation of the Kemano Completion Project. In January 1998 an advisory Board for the Northern Development Fund was formed. Its job was to advise the government on how the Fund should be run to stimulate economic growth. In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act."

Enabled by this Act, and by the recommendations of the advisory Board, the NKDF Society was incorporated on August 18, 1999. The Minister of Small Business and Economic Development appoints Board members to represent the communities of the Nechako-Kitamaat area.

2.3 Investment Area

The investment area for the NKDF is normally limited to those communities with evidence of impacts from Alcan's Nechako Reservoir and Kemano power project. We encourage applications from local governments and legally incorporated non-profit organizations serving the following communities:

District of Vanderhoof	Nadleh Whut'en Band	Burns Lake Band
Fort Fraser	Kitamaat Village	Nee Tahi Buhn Band
Village of Fraser Lake	Stellat'en First Nation	Skin Tyee Band
Village of Burns Lake	Saik'uz First Nation	Cheslatta Carrier Nation
Ootsa Lake		

Applications may be accepted from other areas of Northwestern BC, provided the listed communities receive direct economic benefits from the project and demonstrate their support for the project.

2.4 *Guiding Principles of the Fund*

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private business.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of NKDF Directors will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy.
BENEFITTING FUND	The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The Fund can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The Fund will not duplicate but may augment existing economic development programs.
WORKING FUND	$5 million from the original $15 million Fund is in a working fund to invest in current grant programs.
LEGACY FUND	$10 million from the original $15 million Fund is in a legacy fund, which is invested to finance activities into the future in perpetuity.

* Fund investments are managed by the British Columbia Investment Management Corporation. Monies of the Northern Development Fund – to be used in support of the programs of the NKDF Society – are in investment vehicles that are generally conservative but that also provide some opportunities for growth.

2.5 Society Management

The NKDF Society is governed by a northern-based Board of government appointees who live in the investment area and represent a range of interests. Board seats during the past year were held by:

- Gloria Catherall, Burns Lake
- Ray Gerow, Prince George
- Kirk Handrahan, BC Government
- Bill McLeod, Vanderhoof
- Colleen Nyce, Alcan Primary Metal British Columbia
- Mike Robertson, Southside (Chair)
- Crystal Ross, Kitamaat Village
- Kevin Stewart, Kitamaat Village
- Paul Stewart, Vanderhoof
- Linda Woodruff, Vanderhoof (Secretary/Treasurer)

Two Director's terms ended during the past fiscal, including Kirk Handrahan and Bill McLeod.

Management services are provided through a contract with Dan Boudreau, who is based in Prince George.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred $5.3 million from the Northern Development Fund to the NKDF Society for its operations and programs. The balance of the original $15 million remains under the control of the BC Investment Management Corporation. (See financial statements for detailed balances of the Society's accounts.)

The Directors and Manager report to the Minister of Economic Development. The Minister is responsible for approving the Society's annual business plan and for appointing all Society Directors. This reporting relationship is intended to ensure that the Society's actions continue to adapt to changes in provincial government priorities and direction.

In addition to the Society's relationship with the province, the Society also has relationships with federal government ministries and agencies such as Service Canada, Western Economic Diversification and Indian and Northern Affairs in order to coordinate work on projects of mutual interest.

3. Goals and Achievements

This section is informed by the formal evaluation form completed by Society Directors at the end of each fiscal year, where criteria are judged on a score of 1 to 4, with 1 being poor, 2 being fair, 3 being good and 4 being excellent. The goal is to achieve scores of 3 or 4, and to develop strategies to improve in areas that are scored only 1 or 2.

3.1 Operations

Board Operations

There were two regular Board meetings this year and five conference calls. The meetings were located in Burns Lake and Vanderhoof. One additional face to face meeting was planned in Kitamaat Village, but inclement weather necessitated switching to a conference call instead.

In the annual evaluation, Directors rated most aspects of operations as good and some as excellent. With a higher number of conference calls this year, some Directors expressed the importance of continuing to meet face to face as well. With this in mind, meeting effectiveness was rated a little higher than conference call effectiveness.

Directors generally were satisfied with the frequency of Board meetings and with the decision making process. Directors agree that the Board meetings provide an effective forum for healthy, open-minded discussion and that the consensus method is working well for decision making. Overall, the Society enjoys a good mix of Directors who share a common interest are willing to work together for the benefit of all communities in the investment area.

During the upcoming year, Directors plan to revisit the strategic plan and vision for the organization, as well as continuing to attend grand opening and publicity events where possible.

Management Services

In the annual evaluation, Directors rated the Management Services at good to excellent. Directors were generally very pleased with the flow of information and communication at all levels, including Directors, clients and applicants.

The Manager is doing a good job of providing agendas well in advance of meetings. Applicants are well informed by the Manager, which means they understand NKDF requirements and protocol and are able to provide the right information to enable Directors to make informed decisions.

The Manager will focus on three main areas for the upcoming year: effectively screening project applications, working with proponents to clarify deliverables for each project, and continuing to increase the NKDF profile in the communities. Directors expressed an appreciation for the quality of the Management Services and in particular, the Managers communication with Board members, clients and applicants.

3.2 Programs

Community Grant Program

The Society received a total of 24 new applications this year and approved 17, totalling $600,000 for the entire investment area.

This year the majority of Directors rated the Community Grant Program as good to excellent. Although it is generally felt that our grant program is effective, a number of Directors feel it is now time to revisit and review the NKDF vision. Funds are being allocated effectively to each of the areas and the grants are for worthwhile projects that benefit the communities and the investment area. Directors are pleased that we have successfully leveraged Society funds with investment funds from other agencies.

For the upcoming year Directors and the Manager will continue to promote the programs and work to increase the uptake in the smaller communities. Directors agree that NKDF Society is benefiting from the increased recognition in the local media across the investment area.

Throughout the year the Manager and Directors welcome feedback on how to make the guidelines more suitable for community needs. At the same time, the Directors focus on ensuring the fund is safeguarded by making cautious decisions that are acceptable to government, business people and communities outside the investment area, all of whom may raise legitimate issues about unfair subsidies or competition.

Detailed descriptions of the projects approved this year are in section 4.

Community Legacy Fund Program

In order to perpetuate NKDF programs into the future, only $5 million of the $15 million fund is to be used for a 'working fund' to fund the grant program. The 'Legacy Fund' is for the balance of Society funds, which were invested since inception to grow to a value of $15 million. Now that the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations and grants.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2007 is $15,306,740.

Business Loan Program

This was a short-lived program, cancelled as a result of the government-led performance review in 2003. The review rules that the program creates a business subsidy, and is therefore contrary to current government policy. Only one loan is currently outstanding, valued at $28,803. The Society receives quarterly payments, with interest, from the Community Futures Development Corporation that manages the loan.

4. Grants Program Details

The Society approved $600,000 in new grants this year, bringing the total approved funding to $4,130,596 since inception. The following table shows grant proposal statistics in this year and all prior years since the inception of the fund.

Year	Proposals received	Proposals approved	Proposals not approved	Total $ committed	Total $ Paid
2006-2007	24	17	7	$600,000	$1,175,000
2005-2006	24	19	5	$525,000	$625,191
2004-2005	24	20	4	$495,000	$515,000
2003-2004	45	31	14	$1,172,597	$680,778
2002-2003	8	7	1	$94,100	$234,000
2001-2002	20	11	9	$314,391	$240,000
2000-2001	13	6	7	$137,334	$140,000
1999-2000	9	5	3	$48,021	$25,000
Total	163	116	50	$3,130,596	$3,435,969

The following table summarizes proposals not approved during this fiscal year.

Project	Date Rejected	Amount Requested	Reason for Rejection
Land and Resource Diversion Initiative	25-May-06	$25,367	Provides a subsidy to business
Playground Equipment	25-May-06	$30,000	Project not a NADF priority
Heating Camp	25-May-06	$20,000	Outside the investment area
Supportive Housing Complex	22-Nov-06	$140,000	Weak link to economic development
Science Celebration	27-Mar-07	$75,000	Weak link to economic development
Mentoring Up The North	27-Mar-07	$25,000	Weak link to economic development and no direct benefit to communities in the investment area
Amexity Migration Study	27-Mar-07	$10,000	Project excludes most of the communities in the investment area

This table summarizes the grant projects approved or under contract during in the [illegible] fiscal year. Details about all projects under contract are on the following pages.

RECIPIENT	PROJECT	APPROVED	STATUS
Canoe Lake Cross Country Ski Association	Feasibility Study	[illegible]	In progress
District of Vanderhoof	Airport Rehab	[illegible]	Complete
Fraser Village Council	Port Development	[illegible]	Complete
North Pacific Music Festival Society	Music & Friends 2005	[illegible]	Complete
Village of Fraser Lake	Arena Upgrade	[illegible]	In progress
Fraser Lk & Dist Rehabilitation Society	Lost Site Interpret	[illegible]	In progress
Community Futures of Fraser Port George	Northern Exec Forum	[illegible]	Complete
Burns Lake Public Library Association	Expansion	[illegible]	In progress
Rural Alternatives	Film Festival	[illegible]	In progress
Regional District of Bulkley Nechako	Asset Mapping	[illegible]	In progress
Southside Health & Wellness Centre	Medical Equipment	[illegible]	In progress
Aboriginal Business Development Centre	Container Study	[illegible]	In progress
Vanderhoof Public Library	Mary John Collection	[illegible]	In progress
Community Futures of Nechako	Resort Gas Analysis	[illegible]	In progress
Corporation of the Village of Burns Lake	Reserve Park	[illegible]	In progress
District of Vanderhoof	Spirit Square	[illegible]	In progress
Fraser Village Council	Hawks Construction	[illegible]	In progress

6. Project Descriptions Sorted by Location (East to West)

6.1 Hazelwood Projects

Project Name [illegible]

Sponsor of Hazelwood, of

The Society partnered with the District of Hazelwood and the Province of British Columbia to rehabilitate Hazelwood airport runway (1-24). Preceding the project, MHOF partnered with the District of Hazelwood to complete an Airport Development Plan, which presented the proponent with a number of options to upgrade the airport. The project was and is fully supported by a number of business members and residents in the community. The airport is used by a broad range of user groups and is fundamental to economic opportunities in the Hazelwood region.

Stan John Collection [illegible]

Hazelwood Public Library

The purpose of the project is to create a lasting legacy to honour the memory of Stan John and to advance the goals she stood for. The proponent is creating the Stan John Collection, comprised of books, audiovisuals, and a map and photo archive. The project will add to the economic base over the long term, both through the local educational and cultural component and through visits by non-local visitors to the area.

Spirit Square [illegible]

District of Hazelwood

The District of Hazelwood will build the Hazelwood Spirit Square with a park-like theme on Highway 16 West. Spirit Square will feature a number of displays, including Five Nations, iron and metals, walk of fame, agriculture and forestry. The project is co-funded by the MHOF. The District of Hazelwood and the Province of British Columbia is intended to be an attraction, both for locals and for visitors to the area, providing short-term jobs during the construction phase, and long-term economic benefits through expenditures by visitors.

Starting Strategies Film Festival [illegible]

Hazelwood Community Arts Council

The purpose of the project is to host a film festival during what is typically the non-tourist season for Hazelwood, while showcasing the Hazelwood family, recreational opportunities, while successfully showcasing films from the Toronto International Film Festival over a three-year period. The Starting Strategies Film Festival was held over three days in February 2007. The economic benefits will arise mainly from expenditures

by visitors to the area and over the long term, and through the increased awareness of what Manitoulin has to offer.

5.2 Fraser Lake/Fort Frances Projects

Feasibility Study — $5,000

Fraser Lake/Fort Frances Township Air Association

The goal of this project is to develop a comprehensive analysis of the cross-country ski opportunities in the Fraser Lake area. The feasibility study is created for the production, other trail user groups, various stakeholders, and potential partners in the Fraser Lake area. The association members will be a thorough analysis to identify options prior to proceeding with development of a company. In a statement that a cross-country ski facility would help to make the community more attractive to residents and visitors to the area. This project is funding the MMHF and Fraser Lake/Fort Frances Air Association.

Events Marketing — $25,000

Village of Fraser Lake

The Village of Fraser Lake is planning a number of improvements to the Lake Recreation Facility. The MMHF assisted with funding for the engineering for this project. Some short-term benefits will result from the construction phase of the project, but the enduring benefits will be the quality of life in the community, making it attract and retain people, and spin off other user groups are brought into the community for sporting events.

5.3 Burns Lake / Southside Projects

Business Development — $5,000

Southside Health & Wellness Centre

Southside Health & Wellness Centre offers basic public health services to clients in the Southside area. The project is to assess those services to include anti-smoking, a nutritionist and an audiologist. The new equipment will enable the equipment to perform and provide better health quality, for which the clients unanimously related to health outside the community. The equipment assessed the more related to health in Burns Lake, Fort Southside or get the medical services, as well as keeping the rate. The equipment will have a long-term positive impact on the quality of life in the Southside area. Funding partners for the project include the MMHF, Society, the Interior Community Forest Logging and Southside Health & Wellness Centre.

Governance Digest — 2025–2027

Incorporation of the Village of Revere Lake

The Village of Revere Lake stands as a deliberate, community-authored model for a village of patient size, service, stewardship, and enduring care in Southern Lake County. Incorporated as a home rule municipality, governed by a seven-member Board of Trustees, the community exists to demonstrate that a village can be organized around quiet, dependable, and accountable government, with public spaces, preserved woodland, and a long-range plan that treats its residents as neighbors rather as customers. The Village's first decade is being written now, and the choices made in its early years will define its character for generations.

Library Governance — 2025–2027

Revere Lake Public Library Association

Revere Lake Public Library is a 501(c)(3) nonprofit corporation, governed by a board of seven to nine volunteer trustees, serving the Village of Revere Lake and its surrounding unincorporated area. The library's mission is to preserve, organize, and lend the collective memory of the community, to offer free access to information and to the shared spaces of reading and conversation, and to do both with the care and seriousness that a small public institution owes its readers. The Revere Lake Public Library Association is a separate entity from the Village government, with its own bylaws, its own budget, its own staff, and its own responsibilities to the community it serves.

5-0 Planned Projects

Riverwalk Park Development — 2025–2027

Riverwalk Village Council

The purpose of this project was to underwrite the preliminary planning of the Riverwalk Park, the proposed riverfront park connected to the development of a village center, based on the Revere Lake waterfront. The project expanded beyond identifying a special purpose District, identifying a commissioner and legal obligations, performing annual filings and holding commissioner meetings, developing conceptual renderings, preliminary cost estimates, and a phased implementation schedule, and establishing a working relationship with the Village of Revere Lake Parks and Recreation Department.

Music & Friends 2006 Festival **$19,500**

North Pacific Music Festival Society

North Pacific Music Festival Society is a new society formed to house the Music & Friends festival. After successful festivals during each of the previous two years the Society members organized the one-day Music and Friends Festival 2006. The festival was successfully staged on July 22, 2006. The festival organizers are motivated to showcase the community as a summer tourism destination, and to grow the event year after year, bringing social, cultural and economic benefits to Kitamaat Village and area in the future. The event organization and implementation is done by volunteers, with a priority of contributing funds toward construction of Haisla Elder Care Facility.

Haisla Construction **$69,237**

Kitamaat Village Council

Kitamaat Village Council plans to start a band-owned construction business to serve clients in Kitamaat Village and the greater Kitimat area. The purpose of the business is to: a) create meaningful employment opportunity for Haisla band members, and b) provide surpluses to KVC to use for sustainable capacity development, and c) serve as a demonstration project to model a business success for the community. The business will provide the following services: renovation and construction of earth-based structures, basements, drain tile and septic systems, retaining walls, driveways and ditching, culverts, and general site remediation. NKDF funding assistance will go toward purchase of the needed equipment for the project.

5.5 *Regional Projects*

Last Mile Internet **$25,000**

Fraser Lake & District Rebroadcasting Society

The purpose of this project is to develop communications infrastructure by installing telecommunication equipment needed to provide high speed Internet access to Fort Fraser and surrounding area. Fort Fraser Ambulance Society and East Francois Lake Volunteer Fire/Rescue were awarded Last-Mile Project Community Networking Infrastructure Grants by the Ministry of Labour and Citizens' Services. Project benefits include: increased communication for emergency services, increased participation in economic development opportunities, easier for local businesses to operate, increased ability for professionals to telecommute, better access to distance education, and increased interrelations between communities.

Northern Economic Forum — $1,500

Community Futures Development Corporation of Fraser Fort George

The purpose of the Northern Economic Forum 2006 is to put the most current industry specific, sectorial and regional information in front of community/economic development practitioners in Northern BC. The two-day Forum took place in September 2006, attracting well over the anticipated 85 attendees, which included CED practitioners throughout the region and all of northern BC. The NKDF contributed funding assistance toward facilitation and scribe costs for the event.

Asset Mapping — $11,900

Regional District of Bulkley Nechako

Regional District of Bulkley Nechako was approved to receive funding assistance to hire a consultant to complete a region wide Asset Mapping Report. The project entails gathering an inventory, categorizing and ranking assets, and discovering why people value some assets more than others in the regional. The information is to be compiled into an easily updateable database format. The project is necessary to provide Regional District, and the communities within, with thorough baseline economic data – which they see as a precursor to building an economic development action plan. The Asset Mapping project is co-funded by the NKDF and the Regional District of Bulkley Nechako.

Aboriginal Container Study — $10,000

Aboriginal Business Development Centre

In November 2006, the Northern BC Container Terminal Opportunity Study was completed and publicized. While the Container Study was comprehensive and informative, it did not focus on opportunities specifically for Aboriginal people. The proponent sought funding assistance from NKDF to complete an Aboriginal Companion Study. This project will serve to help communities acquire public and private investment, will help lead First Nations/Aboriginal workers to long-term job opportunities, and help promote economic activity throughout the investment area. This project is funded in partnership by the NKDF, Indian and Northern Affairs Canada, The Province of British Columbia and the Aboriginal Business Development Centre.

Northwest Regional Destination Resort Gap Analysis — $7,500

Community Futures Development Corporation of Nadina

The purpose of the project is to conduct a Northwest Regional Destination Resort Gap Analysis, as well as identifying next steps. The analysis will include carrying out a SWOT analysis and assessment of principle products and experiences, development of a strategy, recommendations for likely investment clusters and a search for equity investors. The NKDF and the Ministry of Economic Development are confirmed contributors to the project, other contributors are pending.

6. Financial Highlights at March 31, 2007

2006-2007 Income and Expenses	Budgeted	Actual
Administration Expenses	$79,257	$65,844
Grant Payments (Approved $600,000)[1]	$1,082,783	$1,173,343
Investment Income	$113,338	$124,779
Loans, Principal And Interest Repaid	$28,479	$28,803

Note to administration expenses: Administration costs were lower than expected, partially because two representatives kindly served at their employer's expense (BC Government and Alcan). Manager fees were $46,448, Director Honoraria totalled $3,238, travel and meeting costs were $6,739 and the balance of $9,419 was for accounting, advertising and office expenses.

Note to grants: The Society approved a total of $600,000 in new grants for the year.

Note to investment income: NKDF investments are held at Integris Credit Union in Vanderhoof and with Phillips Hager and North (PHN). Most of the gains recorded this year were on equities and bond funds held with PHN.

Note to loans: No new loans have been made since the loans program was cancelled. At March 31, 2007 the outstanding balance on the loans account was $28,803.

Account Balances as of March 31, 2007	Assets	Liabilities
Loan Funds Receivable	$28,803	
Cash and Term Deposits	893,474	
Short Tem Investments	1,133,874	
Accrued Interest & Receivables	3,385	
Total Assets	$2,059,536	
Less Grant Commitments Outstanding		(490,050)
Total NKDF Assets Less Grant Commitments		**$1,569,486**

Combined assets: The balance of the original $15 million dollar contributions from Alcan and the BC Government are held in the Northern Development Fund, managed by the British Columbia Investment Management Corporation. The market value of this investment account as of March 31, 2007 was $15,306,740, so the combined assets of the NKDF and the Northern Development Fund total **$16,876,226.**

Annual Audit: The annual audit of the NKDF was completed in May 2007 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

[1] Includes prior year grant commitments and new grant expenditures.

Appendix A: Audited Financial Statements